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37TH

ANNUAL REPORT
2006-2007

ALCOBEX METALS LIMITED

ALCOBEX METALS LIMITED, NEW DELHI

Board of Directors: Shri G. C. Kanunga (Managing Director)
 Shri B. L. Kanunga
 Shri S.R. Kanunga
 Shri Manoj Kanunga
 Dr. Dharmendra Kumar Kankaria
 Shri H.D. Maheswhari (Nominee – IDBI w.e.f. 04/5/2005)
 Shri S.C. Arora (Nominee – BOI w.e.f. 26/7/2005)
 Shri S.P. Singh (Nominee PNB – w.e.f. 14/08/07)

BANKERS Punjab National Bank, Chopasni Road, Jodhpur
 Bank of India, Chopasni Road, Jodhpur
 Vijaya Bank, Station Road, Jodhpur
 Bank of Baroda, Sojati Gate, Jodhpur
 The Bank of Rajasthan Ltd., Sojati Gate, Jodhpur

AUDITORS M/s RAY & RAY, Chartered Accountants
 205, Ansal Bhawan, 2nd Floor,
 16, Kasturba Gandhi Marg
 New Delhi – 110 001

**REGISTRAR & SHARE
TRANSFER AGENTS** Karvy Computershare Pvt. Ltd.
 17 – 24 Vithalrao Nagar,
 Madhapur
 HYDERABAD – 500081.
 Phones: (040) 23312 454, 23320 251
 23320 751, 23320 752
 Fax No.: (040) 23311 968

REGISTERED OFFICE: 4223/1, Ansari Road, Daryaganj,
 New Delhi – 110 002
 Phones: (011) 2327 3496, 2327 4641
 Fax No.: (011) 2328 6565

HEAD OFFICE & WORKS

24/25 Heavy Industrial Area,
 Jodhpur – 342 003
 Phones : (0291) 2740366, 2740626, 2740629
 2740671, 2740731, 2741974
 Fax No.: (0291) 2741990
 Gram: ALCOBEX

NOTICE

Notice is hereby given that the Thirty Seven Annual General Meeting of the Members of Alcobex Metals Limited will be held on Saturday, 29th day of September, 2007 at 10.00 A.M. at Shri Parshva Padmavati Temple and Resorts, Mahabalipuram, Village : Bhatti, Opposite Sawan Public School, New Delhi – 110 074 to transact the following business :

1. To consider and adopt Balance Sheet of the Company as at 31-03-2007, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint director in place of Shri B.L. Kanunga, who retires by rotation and being eligible, offer himself for reappointment.
3. To appoint director in place of Shri Manoj Kanunga, who retires by rotation and being eligible, offer himself for reappointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s. Ray & Ray, Chartered Accountants, Delhi be and are hereby appointed Auditors of the Company for holding office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 1,46,000/- per annum exclusive of traveling and other out of pocket expenses."

Special Business :

5. To consider and if thought fit to pass with or without modification(s), the following Resolution as a Special Resolution.

"RESOLVED THAT pursuant to Section 293(1) (d) of the Companies Act, 1956 and other applicable provisions if any, the Company be and is hereby authorized to enhance the borrowing power from Rs. 250/- Crores to Rs. 350/- Crores by the addition of additional limit of Rs. 100/- Crores, through either from the company's Bankers, Financial Institutions or from the Directors or from elsewhere on such terms and Conditions as to repayment, or interest or otherwise as thinks fit, such sums, as may be necessary, for the purpose of the Company, exclusive of temporary loans obtained or to be obtained by the company from the Company's bankers in the ordinary course of business, exceeding the aggregate of the paid up capital of the Company and its free reserves i.e. to say reserves not set apart for any specific purpose "

By Order of the Board of Directors

(G.C. KANUNGA)

Managing Director

Place: Jodhpur

Dated: 7th September, 2007.

NOTES:

1. MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY, THE PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING.
2. The Members/Proxies should bring the Attendance slips duly filled in for attending the meeting.
3. The Register of Members and Shares Transfer Books of the Company will remain closed from 20th September, 2007 to 29th September, 2007 (Both days inclusive).
5. The Company's Equity Shares are listed at the following Stock Exchanges and listing fees to them have been paid upto 31st March, 2007

**The Stock Exchange, Mumbai,
Pheroze Jeejeebhoy Towers,
25th Floor, Dalal Street,
Mumbai – 400 001**

6. BRIEF RESUME OF PERSON PROPOSED TO BE APPOINTED/ RE – APPOINTED AS DIRECTOR OF THE COMPANY AT THE ANNUAL GENERAL MEETING.

PARTICULARS	SHRI B. L. KANUNGA	SHRI M.K.KANUNGA
Age	57 Years	40 Years
Date of Appointment	12/09/1992	01/12/1985
Qualification	B.E.	Graduate
Expertise in Specific functional areas	Thirty two years vast industrial experience in Marketing, Finance & General Administration.	Twenty years industrial experience liaison with Central & State Government & personnel & labour department, general administration.
Directorship of other Companies	M/s. Alcobex Investment Pvt. Ltd.	M/s. Sai Sum Hydro Power Pvt. Ltd. M/s. Marudhar Prime Resorts Tourist Pvt. Ltd.
Chairman/ Member of the Committees of the Board of the Companies on which he / she is a Director	None	None

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 5

ITEM NO. 5

The Corporate Debt Restructuring package approved by CDR cell and implemented by Financial Institutions and Banks and consequent requirement of additional funds to meet the needs of the Company's Capital Expenditure Programs and also the additional working capital requirements, it is envisaged that the existing limit of Rs. 250.00 Crores, sanctioned by the members, is likely to fall short. The consent of the members of the company, is therefore, solicited in pursuance of provisions of section 293(1)(d) of the Companies Act, 1956 to enable the directors of the Company to borrow monies to the extent of Rs. 350.00 Crores. The proposed resolution is for obtaining the consent of the members for this purpose.

The Board, therefore, recommend this resolution for your approval.

None of the Directors of the Company are concerned or interested in this resolution.

PLACE : JODHPUR

(G. C. KANUNGA)
Managing Director

DATE : 7th SEPTEMBER, 2007

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the 37th Annual Report and Audited Statement of Accounts of the Company for the year ended on 31st March, 2007.

FINANCIAL RESULTS

Particulars	2006 – 2007	2005 – 2006
	(Rs. in Lacs)	(Rs. in Lacs)
Loss before depreciation, interest, taxation and extraordinary items	88.10	151.39
Add: Depreciation	148.28	148.77
Add: Interest	1418.64	1425.63
Loss	1655.02	1725.79
Less: Prior Period adjustment / exceptional /extraordinary items	490.69	156.11
Net Loss	1164.33	1569.68
Deficit as per last year	11857.36	10122.70
Add/Less: Provisions for Deferred Tax Assets/ Liabilities (Net)	(412.93)	164.98
Less : Debenture Redemption Reserve & Capital Reserve W/back	101.19	--
LOSS CARRIED TO BALANCE SHEET	12507.57	11857.36

OPERATIONS

The company continued to face liquidity problem through out the year. The CDR Empowered Group approved a reworked out revival package for the company but its implementation was delayed for some unpredictable and unforeseen reasons as a result of which production as envisaged in the proposal put before the CDR Group could not be achieved. The company achieved a production of 3969 M.T. and a turn over of Rs. 15154.68 lacs during the year as against the production of 5508 M.T. and a turn over of Rs. 14482.78 lacs during the previous year.

EXPORT

The company's export during the year under report amounted to Rs. 8313.13 Lacs (FOB Value) as against Rs. 7297.43 Lacs during the previous year.

DIVIDEND

Owing to the losses incurred by the company, your directors express their inability to recommend payment of dividend on the equity shares for the year under report.

FUTURE OUTLOOK

The acute shortage of Working Capital continues to haunt the operation of the company. The company is making serious efforts to secure additional Working Capital through the good offices of the Institutions, Banks and BIFR. Once this arrangement is made, your Directors are hopeful of achieving a break-through in the company's financial results.

INDUSTRIAL RELATIONS

While throughout the year under report, there had been no major labour unrest, the workers went on an illegal strike with effect from 04.04.2007 and the strike is still continuing. The efforts made by the Management of the Company

to resolve the dispute with the workers have so far not yielded any results. The factory is however partially operating with the help and assistance of loyal workers. The production during the strike period has considerably gone down.

DIRECTORS

Shri B. L. Kanunga and Shri Manoj Kanunga retire by rotation and being eligible offer themselves for reappointment. Consequent upon withdrawal by UTI Shri K.S.Sharma ceased to be Director of the Company with effect from 31.10.2006. Consequent upon his death Shri A.D.Bohra ceased to be Director of the Company with effect from 17.02.2007. Consequent upon withdrawal by IIBI Shri Thamphy Mathews ceased to be Director of the Company with effect from 15.06.2007. Consequent upon his resignation Shri B.G. Daga ceased to be Director of the company with effect from 14.08.2007. Shri S.P. Singh joined as Nominee Director of the Punjab National Bank with effect from 14.08.2007 in place of Shri N. Natrajan.

The profile of the directors seeking appointment / reappointment at this Annual General Meeting is given in the Report on Corporate Governance

AUDITORS REPORT

The notes to the Accounts and Accounting Policies referred to in Auditors Report are self-explanatory and the qualifications have been suitably explained.

- a) The Company is in the process of making application U/s 297 seeking a post facto approval to the transaction entered from Central Government.
- b) The Company has prepared accounts on the going concern basis as the Company is at present in production and arrangements are being made to tide over liquidity problem. Thereafter the management is hopeful to show better results in the ensuing years. According to it is of the view there is no impairment of assets and has also accounted deferred tax assets.
- c) The Company is in the process of obtaining balance confirmation certificate from various parties and also reconciling the various accounts.
- d) Steps have been initiated to avoid delays in payment of statutory dues, repayment of principal and interest to Banks and Financial Institutions.

AUDITORS

The auditors of the company M/s Ray & Ray, Chartered Accountants, retire at the ensuing Annual General Meeting of the company and have given their consent for reappointment. The Company has also received a certificate from them under section 224 (1-B) of the Companies Act, 1956.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to section 217 (2A) of the Companies Act, 1956 your Directors, hereby confirm the following:

1. In preparation of the annual accounts, all applicable Accounting Standards have been followed except to the extent disclosed in Significant Accounting Policies and Notes to the Accounts (Schedule 24 & 25).
2. Appropriate accounting policies have been selected and applied consistently and judgements and estimates that are reasonable and prudent have been made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.
3. Proper and sufficient care for the maintenance of adequate accounting record in accordance with the provisions of the Companies Act, 1956, has been taken for safeguarding the assets of the Company and prevailing and detecting fraud and other irregularities, to the best of our knowledge and ability.
4. The annual accounts have been prepared on a 'going concern basis'.

SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

On 23-10-2003 the company had made an application to the BIFR Under Section 15 of SICA. The Board for Industrial Finance and Reconstruction, having been satisfied that the company has become a sick industrial unit under the relevant provisions of SICA, declared it to be so at its meeting held on 16-1-2006 and appointed the Industrial Development Bank of India as the Operating Agency who have since informed the BIFR that the Draft Rehabilitation Scheme would be prepared after the direction on the observation/points raised by them.

PERSONNEL

There was no employee of the Company drawing salary in excess of the limits prescribed under section 217 (2A) of the Companies Act, 1956. The Company is in the process of finding a suitable Company Secretary.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO

In accordance with the requirement of section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 a statement showing particulars in respect of above is annexed and forms part of this report.

CORPORATE GOVERNANCE

The Report on Corporate Governance is annexed and forms part of this report.

OTHER INFORMATION

The Audit Committee of the Company reviewed the Financial statements for the year under review at its meeting held on 7th September, 2007 and recommended the same for the approval of the Board of Directors.

As per the listing agreement with the stock exchange, the Management discussion & Analysis report, Report on Corporate Governance and Auditor's Certificate regarding compliance of all conditions of Corporate Governance form a part of this report.

ACKNOWLEDGMENT

Your Directors acknowledge with gratitude, the assistance and cooperation provided by the Govt. of Rajasthan, the Company's bankers and financial institutions, suppliers, customers and various other Government Departments.

For and on behalf of the Board of Directors

Place: Jodhpur
Date: 7th September, 2007

(G.C.Kanunga)
Managing Director

(B.L.Kanunga)
Director

ANNEXURE TO THE DIRECTORS' REPORT

Conservation of energy, technology absorption, foreign exchange earnings and out go in accordance with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988].

CONSERVATION OF ENERGY

- (a) Energy conservation measures taken.
Efforts are continuously being made to conserve energy.
- (b) Additional investments and proposals, under consideration for power factor improvement and Energy conservation. Installation of additional capacitor and panel for improvement of power factor for energy conservation as well tariff benefits/reduction in power bill.
- (c) Sufficient electricity was generated on DG set by using H.S.D. which resulted in considerable savings and helped in controlling voltage fluctuation.
- (d) Impact of the measures at (a) (b) and (c) above for reduction of energy consumption and consequent impact on the cost of production of goods. Continuous efforts are being made for energy conservation and for reduction of power consumption per unit of production.
- (e) Total energy consumption and energy consumption per unit of production as per

Prescribed Form "A"
Not applicable.

TECHNOLOGY ABSORPTION

Form "B"

- (f) Research & Development (R & D)
 - (i) Specific areas in which R & D carried out by Company
Conceptualized the minimum number of oil fire burners in all the three pre heating billet furnaces of extrusion press. The modification had resulted in considerable savings in furnace oil consumption.
 - (ii) Benefits derived as a result of above R & D

Expansion of marketing areas particularly in the export field.

Research was carried out for new alloys and existing fluxes, filters, SCCM, less generation of wastes.

New technical route is being developed for modifying the existing techniques for various copper and copper alloys/sections.

(iii) Future plan of action

To improve productivity, quality vis a vis energy saving additional auxiliary equipments are being added and modified.

(iv) R & D Expenditure

a)	Capital	Nil
b)	Recurring	Rs. 5.53 lacs
c)	Percentage of turnover	0.036 %

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- (i) Plantation and garden have been developed in the factory to reduce the air pollution of foundry etc. The waste water generated is neutralized and treated for being reused in gardening.
- (ii) New alloys viz Chromium Copper, Chromium Zirconium copper, Zirconium copper and silicon bronze and Aluminium Bronze have been developed and also supplied to the foreign customer and development of Nickel silver for rods and tubes are in advance stage of development to meet the specific requirement of foreign buyers.
- (iii) Developed pipe U-Bend for various sizes to be used in marine application purposes.
- (iv) Bright annealing to match International Standards & Quality of product was achieved by shifting from the Exo-gas to Nitrogen gas being generated inhouse.
- (v) Customer care and satisfaction were further improved by adopting detailed presentation of the product and its end use in number of countries during the year.

In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished.

Not applicable

FOREIGN EXCHANGE EARNINGS AND OUT GO

- (a) Activities relating to exports, initiative taken to increase exports, development of new export market for products and services and export plans

The Company is continuing to export its products.

(b) Total Foreign Exchange earned and used

	2006-2007 (Rs. In lacs)	2005-2006 (Rs. In lacs)
Foreign Exchange Earned	8313.13	7297.43
Foreign Exchange Used	4194.03	3895.97

For and on behalf of the Board of Directors

Place: Jodhpur
Date: 7th September, 2007

(G.C.Kanunga)
Managing Director

(B.L.Kanunga)
Director

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance:

Alcobex Metals Limited (AML) believes that good Corporate Governance is a basic tool to achieve long term corporate goals and to create shareholders' value on a sustainable basis. The Company's philosophy on Corporate Governance envisages attainment of high level of transparency, accountability and integrity in all its facts including the conduct of its business, its relationship with its stakeholders viz. shareholders, employees, customers, government and the lenders.

2. Board of Directors:

2.1 The Company recognizes that a strong and effective Board is the pre-requisite for good corporate governance. The Board of Directors comprises of Ten Directors, consisting of four Nominee Directors of Financial Institutions and Banks, four Promoter Directors and two Independent Directors. Mr. G.C. Kanunga, one of founder Directors of the Company, is the Managing Director. The Directors are eminent individuals, drawn from amongst persons with experience in the field of Finance, Metallurgy and Management. The Board oversees the Company's strategic direction, reviews the performance, authorizes and monitors the utilization of resources, ensures regulatory compliance and safeguards the interest of shareholders on consistent and transparent basis.

2.2 Composition of the Board:

The composition of the Board of Directors and the number of other directorships and committee memberships/chairmanships (excluding this company) are as under:

Name of Director	Category of Directors	No. of other Directorships		No. of other Board Committees of which he/she is a Chairperson / Member	
		Public	Private	Chairperson	Member
Shri G. C. Kanunga	Managing Director	-	-	-	-
Shri B. L. Kanunga	Director	-	1	-	-
Shri S. R. Kanunga	Director	-	1	-	-
Shri M. K. Kanunga	Director	-	2	-	-
Shri A.D. Bohra (Consequent to death he ceased to be Director on 17.02.2007)	Independent Director	-	-	-	-
Dr. D. K. Kankaria	Independent Director	-	-	-	-
Shri Thampy Mathews (Consequent to withdrawal by Bank on 15.06.2007)	Non Executive Director (Nominee IIBI)	2	-	-	-
Shri K.S. Sharma (Consequent to withdrawal by Bank on 31.10.2006)	Non Executive Director (Nominee UTI)	-	-	-	-
Shri N.Natrajan (Consequent to withdrawal by Bank on 14.08.2007)	Non Executive Director (Nominee PNB)	-	-	-	-
Shri S.P.Singh (Appointed w.e.f. 14.08.2007)	Non Executive Director (Nominee PNB)	-	-	-	-
Shri H.D.Maheshwari	Non Executive Director (Nominee IDBI)	-	-	-	-
Shri S.C.Arora	Non Executive Director (Nominee BOI)	-	-	-	-
Shri B.G. Daga (Consequent to Resignation he ceased to be Director on 14.08.2007)	Independent Director	1	-	-	-

None of the Directors is a member of more than ten Board level committees, or a Chairman of more than five such committees, as prescribed under Clause 49 of the Listing Agreement.